

TABLE OF CONTENTS

Chapter I: Executive Summary

I.	Report Overview.....	1.1
II.	Findings	1.1
	A. Traditional Markets: Incumbent Carriers Dominate Local and Local Toll	1.1
	B. Emerging Markets: More Competition in Wireless Than DSL	1.3
	i. Wireless: A Growing Market.....	1.3
	ii. Advanced Services: Experiencing Market Challenges.....	1.3
	C. Competitive Trends to Watch	1.4

Chapter 2: Background

I.	Chapter Overview.....	2.1
II.	Report Responds to Legislative Mandate.....	2.1
III.	The Evolution of Telecommunications Competition	2.2
IV.	Licensed Carriers Are Not Synonymous with Firms Actually Competing in the Market	2.5
V.	Measuring Competition: Not an Easy Task.....	2.5

Chapter 3: Traditional Markets

I.	Chapter Overview.....	3.1
II.	Defining Traditional Markets.....	3.1
	A. Competitors	3.1
	B. Service Types.....	3.2
	C. Customer Classes.....	3.4

III. Analysis of Competition in Traditional Markets	3.4
A. Analysis Summary.....	3.4
B. Local Services: ILECs Dominant.....	3.6
i. Customer Share: ILECs Control Between 94.0 and 96.4 Percent	3.6
ii. Number Utilization: ILECs Have 89 Percent of Assigned Numbers	3.10
iii. Local Revenue: Vast Majority Earned by ILECs.....	3.12
C. Local Toll Market: Competitors Fare Better Than in the Local Market But ILECs Still Dominant.....	3.14
i. Revenue: CLEC/IXC Earnings Significantly Less Than ILECs But Growing.....	3.14
ii. Residential Customer Share: ILECs Maintain Over 75 Percent Of Market; CLEC/IXC Share Growing.....	3.15
D. Long Distance Market: Mixed Signals	3.16
i. Long Distance Calling Volume Grows Gradually	3.16
ii. Industry Revenues Declining.....	3.17
iii. Residential Long Distance Suscribership: Downturn or Shift?	3.18
E. Cross-Market Revenue Comparison: ILECs Dominant	3.20

Chapter 4: Wireless and Advanced Telecommunications Markets

I. Chapter Overview.....	4.1
II. Wireless Services: A Growing Market	4.1
A. Competition Among a Core Group of Wireless Companies	4.2
i. Subscribership: California Growth Outpacing Nation.....	4.2
ii. Revenue: 33 Percent Growth in California Over 3 years.....	4.3
iii. Telephone Numbers: 5 Plus Carriers Competitive in Each Area Code	4.3
B. Comparisons Between Wireline and Wireless Sectors	4.5
i. Subscribership: Wireless Already Over Half the Subscribers of Wireline	4.5
ii. Revenues: California Wireless Carriers Earned More Than CLECs and IXCs From 1997 Through 2001	4.5
iii. Telephone Numbers: Wireless Has Second Largest in California.....	4.6
iv. Wireless Potential Substitute For Wireline	4.8
C. Other Wireless Opportunities & Challenges.....	4.9
III. Advanced Services.....	4.10
A. Overview of Advanced Services	4.10
B. Advanced Services Competitors	4.11
C. Advanced Services Technologies and Deployment.....	4.12

i. Cable Modem	4.12
ii. Digital Subscriber Line (DSL)	4.14
iii. Wireless Broadband	4.15
iv. Technical Summary	4.17
D. Analysis of Broadband Competition: DSL vs. Cable	4.17
i. California Distinct From National Trend.....	4.17
ii. Growth Expected for Cable and DSL	4.19
E. DSL Competition Analysis	4.20
i. ILECs Dominate DSL Markets	4.20
ii. ILECs Continue to Dominate DSL Line Sharing Market, Despite Access Requirements	4.20

Chapter 5: Trends to Watch

I. Chapter Overview.....	5.1
II. Market Entry and Activity.....	5.1
A. Wireline License Applications Stable While Wireless in Decline.....	5.1
B. Number of Carriers Remitting Surcharges	5.3
C. CLECs Depend More on Facilities-Based and UNE Modes of Entry and Less on Resale.....	5.4
D. Pacific Bell's Long Distance Entry Under Review By CPUC	5.6
III. Market Consolidation and Exit.....	5.7
A. Trend Toward Cross-Sector Consolidation.....	5.7
i. Merger Activity in Telecommunications.....	5.7
ii. Failed Merger and Consequences	5.9
B. Economic Downturn Limiting Competition.....	5.9
C. Decline in Demand for Number Resources Corroborates Market Consolidation and Service Reductions.....	5.11
IV. Consumer Issues with Competition	5.12
A. Inadequate Information for Service Choices.....	5.12
B. Service Quality Complaints	5.13
C. Other CPUC Efforts on Behalf on Consumers.....	5.13
V. Statues, Legislation, and Regulatory Action Affecting Competition	5.14
A. UNE Prices That Promote Responsible and Efficient Competition.....	5.15

B. Review of the New Regulatory Framework (NRF) to Promote Competition and Service Quality	5.16
C. CPUC Seeks to Preserve Access and Choice for DSL Service.....	5.17
D. Local Number Portability.....	5.19
i. Wireline Number Portability of Growing Importance to CLEC Local Market Share	5.19
ii. Wireless Number Portability Could Increase Competition.....	5.20

APPENDICES

Appendix A: Customer Share

Appendix B: Revenues

Appendix C: Numbering

Appendix D: Wireless and Advanced Services

Appendix E: New Service Providers

Appendix F: Trends Among Service Providers

Appendix G: Data Request and Sampled Carriers

Appendix H: Telecommunications Glossary

Appendix I: California Communities with Broadband Access

Appendix J: Timeline of Steps to Increase Telecommunications Competition